GOVERNMENT OF ANDHRA PRADESH

ABSTRACT

Ind. & Com. (Prog.III) Dept. - Food Processing – Food Processing Policy 2020-25- Establishment of Secondary Food Processing Units - Availing loan of Rs.1,000 Crore from SIDBI under SIDBI Cluster Development Fund (SCDF) Scheme - Extending Government Guarantee - Orders– Issued.

INDUSTRIES & COMMERCE (PROGRAMME.III) DEPARTMENT

G.O.Rt.No.139.

Dated:02/08/2022.

Read the following:

1.G.O. Ms. No.93; Ind. & Com. (Prog.III) Dept., dt:30.12.2020.

2.From the CEO, APFPS, e-file No. AGC03-11038/9/2022-DD-HORTI (computer No. 1682445).

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ORDER:

In the G.O. 1st read above, Govt. have issued A.P. Food Processing Policy, 2020-25 with an aim to develop Secondary Food Processing Centres (Common Facility Integrated Production Centres) in each Parliamentary constituency which would be operated under plug & play model. A.P. Food Processing Society (APFPS) has been nominated as nodal agency for development of necessary infrastructure for secondary food processing centres (Common Facility Integrated Production Centres) and for the implementation of AP Food Processing Policy 2020-25.

2. In the reference 2nd read above, the CEO, APFPS has stated that Govt., would establish the requisite Secondary Food Processing Centres (Common Facility Integrated Production Centres) across the state in 26 Parliamentary constituencies/Districts based on the raw material availability, which would act as a HUB. APFPS aims at creation of Secondary Food Processing Centres (Common Facility Integrated Production Centres) with modern infrastructure, meeting global standards in areas of Food Processing, Horticulture, Dairy, Agriculture and Aqua products. MSME's/PPC/FPO/Markfed/RBK in the cluster would supply the raw material to the selected O&M partner (reputed MNCs/Private companies) at a Minimum Support Price (MSP) fixed by competent Authority / GoAP from time to time (in case the Market Price Falls below MSP). These MSME's/PPC/FPO/ RBKs will act as spokes in the said cluster, thereby creating an end to end MSME ecosystem throughout the state.

3. Government of Andhra Pradesh or Andhra Pradesh Food Processing Society will not bear any operating expenses or costs. All the operating expenses and costs like salaries, logistics, raw material purchases, supply chain network, power, taxes, water usage, licensing expenses etc., shall solely be borne by the selected O&M partner (MNCs/ Reputed Companies/Project implementation Agencies) pursuant to the bid process. GoAP will bear only the risk on establishment of these centres i.e., CAPEX part and monitoring the units at regular intervals. These unit(s) shall be given on a long term lease for a block period of 15 years to the reputed agency(s) on a fixed fee towards lease amount payable to the government on Monthly / Quarterly / Annual basis pursuant to the selection process during the RFP stage.

(PTO)

4. As per the DPR, the implementation model is as follows:

Means of Finance:

a. Equity Contribution from GoAP/APFPS – 20% of the Project Cost.
b. Debt /Loan assistance from Banks/FI's – 80% of the Project Cost.

Annual Revenues from the O&M operator:

a. **Annual Revenue from Land Lease** - 1% of the SRO value of the land every year.
b. **Facility Utilisation Fees from O&M Operator** - Annual facility utilisation fee from O&M operator is equivalent to the 4% of the project cost.

Repayment of Debt Servicing Obligations:

Annual debt servicing obligations is to be met by GoAP

5. The Chief Executive Officer, A.P. Food Processing Society has further stated that, as per the SIDBI Cluster Development Fund (SCDF) Scheme, loan will be disbursed to Finance Department, GoAP directly. As per the SIDBI Cluster Development Fund scheme guidelines, financial covenants are as follows:

a. **Loan Assistance:**

Minimum Loan assistance in the range of 80% - 90% of the total project cost as per the SCDF scheme guidelines.

b. **Interest rate:**

The interest rates on deposits placed by the banks and loans under SCDF shall be decided by the Reserve Bank of India from time to time. As per RBI's allocation letter, the interest rates payable to banks on deposits placed with SIDBI and loans disbursed by SIDBI from SCDF have been linked to the Bank Rate prevailing at the time of placement / disbursement. Since interest rates are linked to bank Rate, which is a floating rate, the interest rates on SCDF will vary as per the changes in Bank Rate from time to time. Hence, the SCDF interest rates are not fxed for the fnancial year. As disbursement shall happen in tranches, each disbursement shall be treated a separate loan for the purpose of accounting and shall carry a fxed Interest rate of Bank rate (as on date of disbursement) less 1.50%.

c. *Loan Tenor and Loan Moratorium*:

6. As per the SIDBI Cluster development scheme, at present, loan is to be repaid in equal annual instalments in 7 (seven) years from the date of drawl including a grace period up to 2 years.

(P...3...)

The financial implication (approx) to GoAP exchequer and benefits of the project cost as calculated and furnished by the CEO, APFPS are ANNEXED to this G.O.

7. As per the in-principle approval letter from SIDBI, the actual commitment/sanction under SCDF shall be on first come first serve basis to the States till availability of funds with SIDBI. For availing the quick final sanction of Rs.1,000 Cr. from SIDBI, pre-sanction conditions as stipulated in SIDBI Cluster Development Fund (SCDF) Scheme guidelines and as specified in-principle sanction must be complied. The following pre-sanction conditions are to be complied by the State (Finance Department) for getting Final Sanction of Rs.1,000 Crore from SIDBI:

- State Finance Department to furnish compliance towards Article 293(1) and 293(3) along with other pre-disbursement compliances if any – As per the format specified in SIDBI Cluster Development Fund Scheme Guidelines.
- The loan assistance will be secured by: RBI registered mandate (one time process for any state. Letter of Authority executed and registered with RBI for recovery of instalment / Interest on loans granted by SIDBI to State Government under SCDF covering all tranches – As per the format specified in SIDBI Cluster Development Scheme Guidelines.

8. The CEO, APFPS has therefore requested the Govt. for the following support from Finance Department, GoAP, to comply with the below pre-sanction conditions for quick Final Sanction of Rs.1,000 Cr from SIDBI:

- Finance Concurrence for the Upfront Equity of Rs.250.06 Cr for the above-mentioned projects.
- Finance Concurrence for the yearly debt servicing requirement.
- State Finance Department to furnish compliance towards Article 293(1) and 293(3) along with other pre-disbursement compliances if any – As per the format specified in SIDBI Cluster Development Scheme Guidelines.
- The loan assistance shall be secured by: RBI registered mandate (one time process for any state. Letter of Authority executed and registered with RBI for recovery of instalment / Interest on loans granted by SIDBI to State Government under SCDF covering all tranches – As per the format specified in SIDBI Cluster Development Scheme Guidelines.

9. Government after careful examination of the proposal of the CEO, APFPS, hereby accord permission to extend the Government Guarantee for availing the loan from SIDBI for an amount of Rs.1,000 Crore for the establishment of Secondary Food Processing units (Common Facility Integrated Production Centres). The Finance Dept., GOAP will comply with the requisite conditions for sanction and availing the loan from SIDBI as per the SCDF Guidelines as stated at para (8) above.

(P....4....)

9. . The Chief Executive Officer, A.P. Food Processing Society, Vijayawada shall take further necessary action in the matter accordingly.

10. This order issues with the concurrence of Finance Dept. vide their U.O. No. FIN01-FMU0PC(IC)/9/2022-FMU-IIEIC (computer No.1685524); Dt:22.07.2022.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

CHIRANJIV CHOUDHARY
SECRETARY TO GOVERNMENT (FP)

To
The Chief Executive Officer, Andhra Pradesh Food Processing Society,
Vijayawada.
The Finance (FMU -I&I, Energy and I&C) Dept., Govt., of A.P., Velagapudi.
Copy to:
P.S. to Spl.CS., to Hon'ble C.M.
P.S. to Hon'ble Minister (Agri & Co-op).
P.S. to Chief Secretary to Govt.,
P.S. to Secretary to Government (FP).
The Pay & Accounts Officer, A.P., Ibrahimpatnam, Vijayawada.
The CEO, CFMS, Ibrahimpatnam, Vijayawada.
The Accountant General, Andhra Pradesh, Vijayawada.
SF/SC

//FORWARDED::BY ORDER//

SECTION OFFICER

Annexure

(G.O.Rt.No.139 ; Ind. & Com. (Prog.III) Dept., dt:02.08.2022)

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The financial implications to GoAP exchequer is calculated as follows by considering the following financial covenants

a. Debt – Equity Ratio – 80:20, Interest rate – 3.65%
b. Total loan period – 7 years with Holiday / Moratorium period – 2 years
c. Loan repayment period – 5 years
d. IDC considered as a part of the project cost
e. Revenue model – 4% of the project cost as IBM value and fixed lease as 1% of the SRO value of the land

Table -I

(All values in Rs. Cr)

PHASE-1 PROJECTS								Yearly Debt Servicing Obligations		Yearly Lease Revenues from O&M operator			Burden to Exchequer			
Sr No	Name of the Project	Parliamentary Constituency	Number of acres	Project Cost excluding IDC Rs. Cr	IDC	Total Project Cost including IDC	Loan Amount Rs. Cr	Total Yearly Debt servicing obligations as % of project cost	Total Yearly Debt servicing obligations in Rs. Cr	1% of SRO value of the land	4% of the project cost	Total revenue from O&M operator	Yearly GoAP Support required for debt servicing	GoAP Support required for debt servicing-5 years	Upfront Equity Support 20% of Project Cost	Total GoAP Support (Upfront Equity + Debt Servicing)-5 Years
1	Mango jelly Processing Unit	Kakinada	7.02	22.95	0.77	23.72	18.98	17.58%	4.17	0.20	0.95	1.15	3.02	15.09	4.74	19.83
2	Jaggery Processing unit	Anakapalli	10	32.04	1.05	33.09	26.47	17.58%	5.82	0.07	1.32	1.39	4.43	22.14	6.62	28.76
3	Millet Processing Units - 13 Units	Different locations	15.1	62.08	1.88	63.96	51.17	17.58%	11.24	0.05	2.56	2.61	8.63	43.16	12.79	55.96
4	Coffee Processing Unit	Araku	10	62.09	2.31	64.4	51.52	17.58%	11.32	0.02	2.58	2.59	8.73	43.65	12.88	56.53
5	Groundnut Processing Unit	Hindupur	11.1	70.96	2.26	73.22	58.58	17.58%	12.87	0.05	2.93	2.97	9.90	49.49	14.64	64.13
6	Banana Processing Unit	Kadapa	9.22	117.92	3.79	121.71	97.37	17.58%	21.40	0.09	4.87	4.96	16.44	82.21	24.34	106.55
7	Tomato Processing Unit	Nandyal	15	159.9	5.64	165.54	132.43	17.58%	29.10	0.05	6.62	6.67	22.43	112.17	33.11	145.27
8	Integrated Fruits & Vegetables	Chittoor	30	286.91	8.86	295.77	236.62	17.58%	52.00	0.09	11.83	11.92	40.08	200.39	59.15	259.55
9	Integrated Spices unit	Narasaraopet	17.65	299.38	9.5	308.88	247.10	17.58%	54.30	0.43	12.36	12.78	41.52	207.59	61.78	269.37
10	Aqua Processing	Machilipatnam	10.00	96.92	3.08	100.00	80.00	17.58%	17.58	0.08	4.00	4.08	13.51	67.53	20.00	87.53
	Total			1,211.15	39.14	1,250.29	1,000.23		219.80		50.01	51.12	168.68	843.42	250.06	1,093.48

Table -II

Benefits of the Project:

#	Parameters	Units	SIDBI
1	No. of projects	No's	10
2	Total project cost excluding IDC	Rs. Cr	1,211.15
3	IDC	Rs. Cr	39.14
4	Total project cost including IDC	Rs. Cr	1250.29
5	GoAP Equity - 20%	Rs. Cr	250.06
6	Loan amount	Rs. Cr	1,000.23
7	Repayment period including mortarium	Years	7
8	Interest rate	%	3.65
9	**Revenue from O&M player**		
	1% of SRO value of land -for 5 years	Rs. Cr	5.55
	4% of the project cost as Lease rental-5 Years	Rs. Cr	250.05
	Total revenue	Rs. Cr	**255.60**
10	**GoAP obligations**		
	20% equity	Rs. Cr	250.06
	Debt servicing obligations from govt every year for 5 years	Rs. Cr	1,099.00
	GoAP obligations	Rs. Cr	**1,349.06**
11	**Net GoAP support (10-9)**	Rs. Cr	**1,093.46**
12	**Future Revenues**		
	1% of SRO rate-for 10 years	Rs. Cr	11.10
	4% of the Lease rental-10 Years	Rs. Cr	500.10
	Other Benefits		
	SGST revenues (Rs. 600 Cr *15 years)	Rs. Cr	9,000.00
	Socio - Economic benefits - Increase in GDP revenue (Rs. 100 Cr * 15)	Rs. Cr	1,500.00
	Avoiding MSP burden	Rs. Cr	1,000.00
	Total	Rs. Cr	**12,011.20**
13	**Net GoAP earnings over a 15-year period (12-11)**	Rs. Cr	**10,917.74**
	Social Benefits		
	Creation of Direct & Indirect employment	Nos	5000 persons
	Creation of MSME Ecosystem	Nos	Around 100 MSME units across the 9 locations
	Forward & Backward linkages		
	Appreciation in SRO value of the land	%	At-least by 2% - 3% every year

Note: The above estimation s based on the preset prevailing Book rate which may vary at the time of actual disbursement of loan in various tranches.

CHIRANJIV CHOUDHARY
SECRETARY TO GOVERNMENT